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Message Text

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PAGE 01 ADDIS 02608 051019Z

15
ACTION AF-06

INFO OCT-01 ISO-00 AGR-05 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01

CEA-01 L-02 H-01 TAR-01 PA-01 USIA-06 PRS-01 /082 W
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R 050853Z MAR 75
FM AMEMBASSY ADDIS ABABA
TO SECSTATE WASHDC 3486
INFO AMCONSUL ASMARA

LIMITED OFFICIAL USE ADDIS ABABA 2608

E.O.11652: N/A
TAGS: EAGR ETRD ET
SUBJ: ETHIOPIA IMPOSES SUBSTANTIAL EXPORT TAXES ON
AGRICULTURAL PRODUCTS

REF: ADDIS 1472

1. BEGIN UNCLASSIFIED: IN A LEGAL NOTICE ENTITLED MEAT AND AGRICULTURAL PRODUCTS SURTAX REGULATIONS OF 1975 WHICH APPEARED IN THE FEBRUARY 15 NEGARIT GAZETA (PUBLISHED FEB 28), THE EPMG IMPOSED SUBSTANTIAL EXPORT TAXES ON HARICOT BEANS, SESAME, NEUG SEED, MEAT (NOT CANNED), COTTON, COTTON SEED, CATTLE, SHEEP, GOATS, LENTILS, AND SUGAR. A COPY OF THE NOTICE IS BEING POUCHED UNDER SEPARATE COVER.

2. THE TAX, WHICH IS SIMILAR TO THE LONG STANDING SURTAX ON COFFEE EXPORTS, IS BASED ON THE F.O.B. PRICE, WITH THE FIRST ETH 20 TO 95 DOLLARS (DEPENDING ON THE COMMODITY) PER 100 KILOS EXEMPT FROM TAXATION, AND AMOUNTS THEREOVER TAXED PROGRESSIVELY ANYWHERE FROM 20 TO 95 PERCENT. TO CITE ONE EXAMPLE, THE FIRST ETH 95 DOLLARS PER 100 KILOS OF MEAT EXPORTS ARE EXEMPT, WITH THE VALUE BETWEEN ETH 95 AND 125 DOLLARS TAXED AT 220 PERCENT AND ANYTHING
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PAGE 02 ADDIS 02608 051019Z

OVER THAT AT 30 PERCENT. THUS, ON AN ACTUAL RECENT PRICE OF

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Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006

ETH 2,000 DOLLARS PER TON, THE SURTAX WOULD AMOUNT TO ETH 285
DOLLARS. END UNCLASSIFIED.

3. REACTIONS TO THE NEW TAXES ARE JUST STARTING TO COME IN,
BUT THOSE WHOM THE EMBASSY CONSULTED -- BOTH IN BUSINESS AND
GOVERNMENT -- TERMED THE MEASURE AS POTENTIALLY "DIASTROUS"
FOR EXPORTS OF THESE COMMODITIES AND THE EXPORTERS THEMSELVES.
IN THE EXAMPLE CITED IN PARA 2 ABOVE, RAY HERBERT, GENERAL MANAGER
OF ONE OF ETHIOPIA'S MAJOR MEAT EXPORTERS (ELIDCO), TOLD US THAT HE
HAD UNSUCCESSFULLY TRIED TO EXPORT MEAT AT JUST UNDER ETH 2,000
DOLLARS/TON RECENTLY; ACTUAL COST AMOUNTED TO ETH 1,925 DOLLARS.
WIT THE SURTAX OF 285 DOLLARS, ETHIOPIAN MEAT WOULD BECOME COMPLETELY
UNCOMPETITIVE IN FOREIGN MARKETS AND ELIDCO (WHICH WAS PARTLY NATION-
ALIZED ON FEB. 3) WOULD GO OUT OF BUSINESS. THE SURTAX IS ALSO
EXPECTED TO REMOVE INCENTIVES FOR FARMERS TO PRODUCE HIGHER QUALITY,
HIGHER COST PRODUCTS, SINCE A GOOD DEAL OF THE PRICE DIFFERENTIAL
WOULD BE LOST TO TAXES.

4. IT APPEARS THAT NEIGTHER THE MINISTRY OF COMMERCE NOR OTHER
AGENCIES SUCH AS THE LIVESTOCK AND MEAT BOARD WERE CONSULTED
OR INDEED AWARE OF THE MEASURE BEFORE IT APPEARED.
ACCORDING TO ONE SOURCE, THE MINISTRY OF FINANCE FORMULATED
THE REGULATION AS A REVENUE-GENERATING SCHEME. THE MINISTRY
OF COMMERCE IS PARTICULARLY UPSET SINCE IT HAD BEEN
WORKING ON AN EXPORT INCENTIVE PROGRAM WHICH IT HOPED TO
INTRODUCE WITHIN THE NEXT FEW WEEKS.

5. AS IN THE CASE OF PRICE CONTROLS (SEE REFTEL, THE
EPMG WILL ALMOST CERTAINLY HAVE TO WITHDRAW OR SIGNIFICANTLY
REVISE THE SURTAX UNLESS IT IS PREPARED TO SEE EXPORTS
OF THESE COMMODITIES DECLINE DRASTICALLY.
WYMAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMODITIES, EXCISE TAXES
Control Number: n/a
Copy: SINGLE
Draft Date: 05 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ADDIS02608
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750076-1220
From: ADDIS ABABA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750382/aaaacvut.tel
Line Count: 93
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 ADDIS 1472
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 25 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 AUG 2003 by CunninFX>; APPROVED <26 AUG 2003 by GolinoFR>
Review Markings:

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US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ETHIOPIA IMPOSES SUBSTANTIAL EXPORT TAXES ON AGRICULTURAL PRODUCTS
TAGS: EAGR, ETRD, ET
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006